

Review of the Swedish Transport Administration's Cost-Control Efforts — Interim Report 2

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Summary

This report constitutes the 2025 interim report on Transport Analysis' assignment to review and follow up the work of the Swedish Transport Administration (STA, Trafikverket in Swedish) on cost control within the framework of the National Plan for Transport Infrastructure (NTP, Nationell plan för transportinfrastrukturen in Swedish). As in previous years, we view cost control from a broad perspective and consider the following aspects to be key to achieving good cost control:

- that the STA has the ability, using its *calculation methods*, to assess the future costs and benefits of its activities;
- that *learning* is occurring within the STA, meaning that previous experience of changes in costs and cost control is being applied;
- that the basis for decisions regarding planning and actions is *transparent* in a way that creates favourable conditions for good cost control;
- that the STA's *information-management systems* and routines provide means of accurately monitoring and tracing changes in costs and their causes;
- that the *incentive structures* within and around the STA contribute to the prioritization of cost control; and
- that the *governance* of the STA's efforts in connection with the NTP is conducted in a way that creates conditions favourable to the foregoing aspects.

In this report, we continue to deepen the analysis of cost developments in investment operations by examining a broader selection of projects in the NTP. One conclusion from last year's report was that shortcomings in the transparency and clarity of documentation related to maintenance operations hamper the analysis of cost control. Therefore, this year we continue to review the documentation supporting the assessment of maintenance needs and the financial frameworks for asset preservation. We also examine the STA's follow-up practices, the conditions for such practices, the role of re-evaluating investment projects as an integrated part of the planning system, and the consideration of life-cycle costs (LCC) in the NTP. We further explore the earlier observation that the need for improved cost control within the STA has long been recognized despite extensive efforts by both the government and the STA.

The overall conclusions from this year's report are summarized below in relation to the aspects mentioned above. Within the areas analysed this year, several areas for improvement have been identified. For some of these, we provide a number of recommendations, summarized at the end of this section.

1.1.1 Calculation methods

Our analysis of the cost development of investment projects confirms previously known patterns: costs tend to increase more often than not, with the most significant increases generally occurring in the early planning phases. There remains a need to further develop the STA's cost estimation capabilities, particularly during early project phases. We see potential in the use of reference class forecasting. An understanding of the causes that drive cost increases – especially those within the STA's control – should also be improved. At the same

time, we emphasize the importance of not relying solely on improved estimates, as uncertainty in early cost assessments is inevitable. Projects that experience cost increases should be subject to re-evaluation.

Our analysis indicates that the methods used to estimate the maintenance costs of new infrastructure are uncertain and should be quality assured by linking them to development frameworks for infrastructure and through collaboration between the planning and maintenance departments within the STA. There is a continued need for methodological development regarding decision-making support for maintenance operations.

1.1.2 Organizational learning

From a learning perspective, it is particularly important to develop and systematize access to the information that post-project evaluations are intended to provide. The fact that much historical data are missing from these evaluations reflects the need to strengthen the learning foundation. However, we also note promising practices in the STA's internal reviews during early project stages and in efforts to categorize the causes of cost changes.

This year's report identifies a need to improve the quality of strategic planning documents related to asset preservation. Enabling this requires internal learning and historical insight. A key to facilitating such learning is improved transparency regarding how the STA develops its documentation.

1.1.3 Transparency

Transparency issues were a prominent theme in the 2024 interim report and received particular attention in that year's review. We believe that the STA has recently made improvements that make cost changes in investment operations more visible, including in the annual report. However, we have identified several opportunities to further strengthen transparency and provide specific recommendations.

Our previous assessment – that the documentation supporting long-term maintenance decisions is difficult to evaluate – remains valid. The lack of systematic LCC consideration makes the process difficult to follow, but we acknowledge that the STA is working actively in this area through an action plan addressing feedback from internal auditors.

1.1.4 Information management

Managing information about costs and related variables – such as project contents, timelines, and benefits – is a key area within the scope of this government assignment. There is significant development potential, and the STA is currently undertaking several projects to strengthen its information management capabilities. However, based on previous experience of the implementation of IT systems and on observations from analyses of current IT systems, there is reason to expect friction and delays in rolling out new systems. There is also a risk that these systems could create a more complex landscape of IT systems, increasing administrative costs.

We believe that new system support tools have strong potential to enhance cost tracking and cost-effectiveness analysis, but they require significant coordination. Thus, we consider it important for the STA to ensure that the implementation of such systems is followed up from a cost-control perspective. We believe that the internal Project Cost Control (Program Kostnadsstyrning in Swedish) can play an important role in this context.

1.1.5 Incentive structures

While the current NTP was developed based on the condition that investment measures in the previous NTP should remain in the new NTP, we note a change in the government's attitude towards the re-evaluation of projects in which the costs have increased. This aligns with the structure of the planning system and is a positive development, as it may help strengthen incentives to prioritize cost control. However, we also identify a potential risk that re-evaluations could create uncertainty in local and regional planning, possibly affecting coordination between national and local/regional planning agencies. It is therefore crucial that such decisions should be made with full awareness of their wider implications.

One of the more important actions for strengthening incentives to limit cost increases in investment operations is the introduction of a risk reserve, as initiated by the government. The STA has been tasked with proposing a process for this. We have previously emphasized the importance of introducing such a reserve in a way that avoids creating incentives to use it more than necessary. We consider the government's initiative to align with this principle.

We also stress the importance of creating clear incentives for considering LCC. These incentives can be strengthened through financial governance that emphasizes future operational and maintenance costs in investment decisions, through clearer LCC requirements in policy documents, and through the follow-up of LCC implementation.

1.1.6 Governance

Our analysis of efforts to improve cost control suggests that the challenges partly lie in formal governance, but also in understanding how existing governance mechanisms actually function and what is achievable given informal norms, assumptions, and established work practices.

In our assessment, external review enhances pressure on the STA's cost-control performance and that it is worth considering how such external scrutiny can be institutionalized and sustained over time. Similarly, internal monitoring increases internal pressure on cost control, which we identify as an area needing improvement. Developing a model for monitoring the objective of increased cost-effectiveness in the STA's operational plan is, in our view, an urgent priority. We provide suggestions on how internal follow-up can be strengthened.

1.1.7 Recommendations on investment decision-making documentation

Transport Analysis recommends that:

- the government instruct the STA to implement the external review of decision-making materials for the largest investment projects before their inclusion in the NTP;
- the government instruct the STA to incorporate LCC into the foundation for presenting construction start proposals; and
- the STA conduct cost–benefit analyses of alternative measures when projects are re-evaluated.

1.1.8 Recommendations on maintenance decision documentation

Transport Analysis recommends that:

- the government instruct the STA to report annually on its efforts to improve the quality of maintenance-related decision-making materials.

1.1.9 Recommendations on the government's follow-up of cost-control efforts

Transport Analysis recommends that:

- the follow-up of selected ongoing investment projects in the annual report be supplemented with an aggregated category covering the other ongoing investment projects not included in the presented selection; and
- the government instruct the STA to report annually on its efforts to develop a systematic and integrated approach to LCC considerations.

1.1.10 Recommendations on internal development for improved cost control

Transport Analysis recommends that:

- the STA enhance its post-project evaluations to improve the analysis of cost changes and identify cost-driving factors that lie within the STA's control; and
- the project Cost Control continuously monitor information management development projects from a cost-control perspective.

Transport Analysis is a Swedish agency for transportpolicy analysis. We analyse and evaluate proposed and implemented measures within the sphere of transportpolicy. We are also responsible for official statistics in the transport and communication sectors. Transport Analysis was established in 2010 with its head office in Stockholm and a branch office in Östersund.



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